LONG-TERM CARE OPTIONS
COST/BENEFIT ANALYSIS

1. Reducing or eliminating 30% growth exception - Part 5 of the Medical Assistance Act limits the number of Medicaid certified nursing home beds to the number in existence in the state as of May 4, 2004, but allows an annual increase of up to 30% of a nursing home's certified bed capacity if the nursing home builds a new facility or renovates an existing one. Some of the costs and benefits of implementing this option are:

Costs

a. The purpose of the exception was to encourage the renovation of existing facilities or the building of new facilities. Reducing or eliminating this exception may have a negative impact on this incentive.

b. Results in tighter regulation of the nursing home industry.

Benefits

a. It is difficult to ascertain how effective the 30% growth exception has been in encouraging the renovation of existing facilities or the building of new facilities. The renovations may have occurred anyway.

b. This will help address the problem of a low bed capacity rate. More unused beds increases the reimbursement rate a facility receives from the Medicaid program without serving any more people.

c. May increase competitiveness or client choice by allowing more facilities to open. The current 30% increase exception permits existing facilities to ensure that there is not a need to build new facilities.

2. Modifying or eliminating bed banking.
Some of the costs and benefits of implementing this option are:

Costs

a. Would increase insurance costs to nursing homes with excess bed capacity.

Benefits

a. Facilities would be less likely to develop excess bed capacity.

b. Facilities would not be able to manipulate the system by banking in a manner that gives them a higher reimbursement rate than nursing homes that do not engage in such manipulation.

3. Extending Medicare-only facilities moratorium

Currently sunsets on July 1, 2009. Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. Prohibits new Medicare-only facilities from entering the market. b. Reduces competition.	a. Helps existing facilities maintain a case mix that allows them to offset low Medicaid reimbursement rates. Otherwise, Medicare patients will be drawn away to these newer, fancier facilities and the state might be forced to increase Medicaid reimbursement rates to nursing homes that serve Medicaid recipients.

4. Reducing the existing excess bed capacity

Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. Forcing a reduction may require the state to provide reimbursement to the nursing homes for the reduction in certified beds.	a. Reduces excess bed capacity more quickly than simply reducing growth, which could result in savings to the state if the reimbursement methodology is changed.

5. Modify the state Medicaid plan's reimbursement methodology.

Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. May result in lower reimbursement to nursing facilities. b. May be difficult to come up with an appropriate methodology.	a. This option makes it possible for the state to realize a savings from implementing the options discussed above. Failure to do this will result in a redistribution of reimbursement amounts among the nursing homes, rather than passing the savings on to the state.

6. **Encourage private sector purchase of long-term care insurance by providing tax incentives.** Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. Initial tax revenue loss to the state if we increase the existing tax exemption.	a. Would promote personal responsibility.
b. May only benefit the more wealthy. Unlikely to be used by people who are Medicaid eligible at the time that they would purchase insurance.	b. May convert some Medicaid funded nursing care to privately funded nursing care in the future.
c. Tax deduction would have to be changed to a tax credit when Utah shifts to a flat tax.	

7. **Encourage private sector purchase of long-term care insurance by engaging a long-term care partnership program under the Deficit Reduction Act.**
This type of program allows a person who buys commercial long-term care insurance to exempt at least some of the person's assets from Medicaid eligibility requirements. Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. There is no data yet to support cost savings to Medicaid programs under this option.	a. May take some of the burden of providing long-term care off of the government.
	b. Would promote personal responsibility.

8. **Increase diversion of the aged to Home and community-based services**
Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. Initial up-front costs to run program.	a. May result in short-term and long-term savings
b. Difficult to know what the demand for HCBS is within this population.	b. More independence/higher quality of life for seniors.

9. Increase funding to allow more people to move out of ICFs/MR

Some of the costs and benefits of implementing this option are:

Costs	*Benefits*
a. Initial up-front costs to run program.	a. May result in short-term and long-term savings.
b. Potential for "woodwork" effect.	b. More independence/higher quality of life.